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S E C R E T SECTION 01 OF 03 VIENNA 000331

SIPDIS

STATE FOR EUR/AGS, EUR/PRA, NP/ECNP

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TAGS: [PARM](#) [PREL](#) [ETTC](#) [AU](#)

SUBJECT: AUSTRIA: SNIPER RIFLES TO IRAN: COMPANY HEAD
REMAINS HARD OVER

REF: STATE 9770 AND PREVIOUS

Classified By: AMBASSADOR W.L. LYONS BROWN. REASONS: 1.4 (B) AND (D).

11. (S) Ambassador and DCM called on Ambassador Hans-Peter Manz, the Chancellor's diplomatic advisor, at Manz's request on February 2 to discuss the Steyr-Mannlicher sale of sniper rifles to Iran (reftels). Manz said his government wanted to avoid creating any wrong impressions in Washington: the Austrians took the issue very seriously and the Chancellor had been informed of the U.S. concerns and requests for information and assurances. Although U.S. and Austria views differed on the question of how best to promote the emergence of a democratic and peaceful Iran, Manz said the Austrian government clearly understood the U.S. concern to protect coalition troops in Iraq.

12. (S) The Ambassador agreed that neither country wanted a disruption in our relations, but said he wanted to leave no doubt about the U.S.'s profound sensitivity to weapons transfers to Iran. He outlined the sequence of U.S. engagement with the Austrian government regarding the rifle transfer; explained the U.S. legislation that could result in sanctions against the GoA or Steyr-Mannlicher; and reiterated our request for information on the sales and assurances the Austrians would not allow future transfers. He told Manz that the Austrians could expect intense U.S. interest in any sales to Iran, especially but not only if weapons were involved, and they could also expect us to protest vigorously any transaction or overtures we found worrisome. The Ambassador pointed out that he was still waiting for and expected a high level authoritative answer to the questions he had presented to the Interior Minister on January 17.

13. (S) Manz said that the ministries of Foreign Affairs, Interior, and Economics had carefully scrutinized Steyr-Mannlicher's original application for an export license when it was submitted about a year ago. The company's request totaled over two thousand sniper rifles. The Iranian border guard was listed as the end user. The Austrians agreed that that the weapons would be useful in Iran's efforts to control its porous borders, and the transfer fit into Europe's campaign to enhance Iran's anti-narcotics capabilities. The Austrian reviewers also concluded, however, that 2000 weapons were too many for the stated purpose and therefore restricted the license to only 800 rifles. They had also incorporated safeguards that Manz claimed would make sure that the weapons went and stayed where the Iranian end use certificate said they were to go to.

14. (S) Turning to the U.S. request for information on the serial numbers of the weapons already shipped, Manz said that Austrian data privacy laws applied to the serial numbers. Steyr-Mannlicher would have to waive these rights before the numbers could be conveyed to the U.S. The Austrian government had, however, been urging Steyr-Mannlicher to agree to provide the serial numbers. Manz appeared confident the company would hand over the list in a meeting scheduled February 3 between the company president and representatives of the U.S. Embassy and the Interior Ministry.

15. (S) On the issue of future transfers, Manz said flatly that the government would not license the sale of more rifles. (Note: see apparent discrepancy with statements of Steyr-Mannlicher president, para 8 below). When pressed by the Ambassador whether this constituted the official and authoritative answer to one of the U.S. queries, Manz said no; he expected the government to respond formally after inter-ministerial consultations following the February 3 discussions with Steyr-Mannlicher.

MEETING WITH STEYR-MANNLICHER PRESIDENT

16. (S) EconPolCouns met with Steyr-Mannlicher president Wolfgang Fuerlinger at the latter's request on February 3. Two representatives attended from Austria's Federal Office for the Protection of the Constitution and Anti-Terrorism (BVT). Fuerlinger had asked to meet with Emboffs and Austrian officials in order to respond to the U.S. request for the number of sniper rifles already shipped to Iran,

their serial numbers, and a halt to all further shipments.

17. (S) Fuerlinger asserted that he was in full compliance with Austrian law: he had applied for the appropriate export permits and had received the requisite approval. Now the U.S. was asking him to forego the Iran deal, which had implications for future deals with Iran. Business with Iran represented "by far" the largest part of his global business, he said, and if we wanted him to give it up, he wanted compensation. He said that the best way to compensate him would be for the U.S. Army to select his new AUG-A3 assault rifle in the ongoing acquisition process. He claimed the specifications applied perfectly to his product, adding that U.S. troops in Iraq had seen his AUG-A2 in the hands of Australian troops and wanted the same thing. He said he should win an open competition in any event. Fuerlinger said that he would give us the quantity of weapons in Iran, the serial numbers of those weapons, and access to all his files regarding Iran contracts, as well as halt all future dealings with Iran in exchange for "compensation" in the form of the assault rifle contract.

18. (S) There was no legal obligation to provide the U.S. with the number of weapons now in Iran or with their serial numbers, Fuerlinger said. (Note: The GOA agrees that the serial numbers are covered by Austrian data protection laws. Manz told the Ambassador that the numbers of rifles shipped was not covered. End note.) If he decided to do so -- which he would do only in the context of the "deal" he was proposing -- it would be entirely voluntary. Regarding the numbers of weapons, he claimed the current contract -- which, he said, was for more than 800 rifles -- represented some 20 percent of his total projected sale to Iran. Some 25-28 million euros in contracts remained. He said, however, that the sniper rifle contract was only a small part of the entire arms relationship he was developing with Iran. "If you don't like the sniper rifles, you'll really hate what comes next," he said.

19. (S) The serial numbers presented a problem, he claimed, because anyone could acquire one of the sniper rifles from a legitimate source elsewhere in the world (they are available in the U.S., Canada and Britain, he said). Fuerlinger asserted it was "very easy" to erase and alter the serial number because the numbers are laser engraved. If the altered number of a weapon found in Iraq matched one of those in Iran, he would then be in trouble. (Note: one of the Austrian BVT officials who accompanied us told us later that something similar had really happened with regard to other Steyr-Mannlicher weapons in another country. End note.) He said, however, that his company would respond "immediately" to any request to verify the serial number of any weapon we found in the wrong hands.

110. (S) Fuerlinger said he was well aware of U.S. law, including the Iran Non-Proliferation Act. He said that in terms of current orders, the Iran market was "ten times" as large as his U.S. business. He would "much rather" do business with the U.S., but if it came to a choice between cutting off his business with the U.S. or cutting off his business with Iran, he would choose to keep his business with Iran. This might foreclose his long term prospects in the west, he said, but he would then "close up shop and sell the company."

111. (S) Fuerlinger, who has been the president of Steyr-Mannlicher for five years, lamented how difficult it was becoming to sell war materiel on the international market. In the last five years, he said, Austria had made it impossible to transfer technology. As a result, he had set up shop in Malaysia in a joint venture with the Malaysian state arms company. Fuerlinger maintained a 51 percent share, and would make business decisions. (For instance, he said that if the U.S. were to acquire the AUG-A3, he could guarantee that no further business would go to Iran from Malaysia or any of Steyr-Mannlicher's worldwide operations.)

112. (S) In a FAX to the Embassy delivered February 4, Fuerlinger reiterated that Steyr-Mannlicher would not provide the serial numbers. He also renewed his desire to obtain a share of the U.S. market to compensate the company for a withdrawal from the Iranian market. On the serial numbers, he said,

"We cannot agree to the release of serial numbers for two reasons:

1. Seriousness and confidentiality are central business values which we hold in high regard in relation to all our business partners.

2. Even the release of serial numbers could endanger our business relationships with the referenced customer as well as with clients in the entire region. The consequences for the well-established Steyr Mannlicher and its employees would be incalculable."

Fuerlinger goes on to note that the region is the primary source of contracts, which was the reason for the establishment of a production facility in Southeast Asia. He says that this is because the U.S. government has put barriers to the company's products, citing an import "ban" on the Steyr AUG assault rifle. He complains that the company has received no support for its efforts establish a factory in the U.S. He concludes,

"Finally, we would like to stress once more that we are extremely interested in fair access to the U.S. market. In the U.S., our product line, which is in heavy demand, would certainly put us in a position to compensate for a possible withdrawal of our company from the Middle Eastern market."

COMMENT

13. (S) In his discussion with the Ambassador, Manz indicated he expected the company to surrender the serial numbers (note: Amb. Hans Winkler, deputy Secretary General of the Foreign Ministry, suggested the same to the Ambassador last week. End note.) The GOA is on the hook to get back to the Ambassador with a final response to the demarche. Ambassador intends to give them a brief period to digest or turn around the disappointing results of the Fuerlinger meeting but will press Manz again next week.
Brown